

October 1, 2010

Guy Messick, Esq.  
Messick & Weber  
211 North Olive Street  
Media, PA 19063

Re: Permissibility of CUSO Acting as a Taxi Medallion Loan Broker.

Dear Mr. Messick:

You have asked if it is permissible for a credit union service organization (CUSO) to act as a loan broker for loans used to finance the purchase of New York City taxi medallions. Yes, based on our understanding of the activities involved in brokering taxi medallion loans, we conclude this is a permissible CUSO activity within the category of loan support services. 12 C.F.R. §712.5(j). We note, however, this activity may involve compliance with other federal law or state or local requirements and, as with all permissible CUSO activities, a CUSO must comply with those requirements. 12 C.F.R. §712.3(a).

The yellow medallion taxicab is a well-recognized feature of New York City; the medallion, itself, is a metallic symbol attached to the hood of a New York City taxicab. Legally, a medallion is a license regulated by New York City, permitting drivers with a medallion to pick up passengers on the street in the city, so-called street hails. The number of medallions is limited, currently to around 13,000, so someone interested in becoming a medallion taxicab driver or owning a medallion must purchase one from a current owner. The value of a taxicab medallion, depending on whether it is a medallion for an independent owner-operator or a corporate medallion, ranges respectively from over \$500,000 to over \$700,000. See [www.usatoday.com](http://www.usatoday.com) (Aug. 7, 2009). A medallion can be transferred to a buyer meeting New York City qualifications, and it can serve as security for a loan. Further information about medallions is available on the New York City website. <http://www.nyc.gov/html/tlc/medallion/html/background/main.shtml>.

Your client, a federal credit union (FCU) serving taxi owners in New York City, formed a CUSO to provide loan services to the FCU in connection with its granting of loans to members buying taxi medallions. The CUSO would like to buy an existing medallion loan broker's business. You indicate the scope of the loan broker's business involves: screening loan applicants, assembling and verifying information in loan applications, obtaining creditworthiness information, and submitting information to a lender. The loan broker handles certain loan processing and loan closing activities such as verifying medallion ownership and title, organization of loan-related documents, and UCC and release of lien filings. The broker does not fund the loan. In the event of a borrower's default, you indicate the loan broker may also provide repossession services, which may include locating a buyer for a repossessed medallion. You have indicated the CUSO would primarily be submitting loan applications from credit union members to

Guy Messick, Esq.  
Page Two

credit union lenders, thereby, complying with the requirement that it primarily serve credit unions, credit union members, or credit unions contracting with the CUSO. 12 C.F.R. §712.3(b).

In simple, broad terms, a loan broker acts as an intermediary between a borrower and a lender, bringing the parties together. We view the loan broker activity described in the immediately preceding paragraph as permissible under the pre-approved category of “loan support services” in the CUSO rule. 12 C.F.R. §712.5(j). We note several of the specific activities in which you indicate the CUSO will engage are also encompassed by illustrations under the category of loan support services, *e.g.*, loan processing and sale of repossessed collateral. 12 C.F.R. §712.5(j)(1), (3). We want to underscore, however, that a CUSO cannot originate or fund a loan for the purchase of a taxicab medallion and note our rule only authorizes CUSOs to originate certain, specific loans, namely, business loans, consumer mortgage loans, and credit card loans. 12 C.F.R. §712.5©, (d), (s).

All CUSOs must be sufficiently bonded or insured, as necessary, to engage in their specific operations, 12 C.F.R. §712.5, and must be established in a manner that will limit potential exposure to FCU owners. 12 C.F.R. §712.4(b). An FCU whose CUSO intends to purchase a business as described in this letter must ensure the transaction and the CUSO’s operations comply with all applicable federal, state, or local laws and regulations. We conclude by noting ownership and operation of a yellow medallion taxicab in New York City and the sale and transfer of medallions are subject to various limitations and requirements not addressed by this letter.

Sincerely,

/S/

Hattie M. Ulan  
Associate General Counsel

OGC/SAA:bhs  
10-0856